



ANNUAL STATEMENT
FOR THE YEAR ENDING DECEMBER 31, 2007
OF THE CONDITION AND AFFAIRS OF THE

Physicians Health Plan of South Michigan

NAIC Group Code 0000 (Current Period) , 3594 (Prior Period) NAIC Company Code 52564 Employer's ID Number 38-3311905

Organized under the Laws of Michigan , State of Domicile or Port of Entry Michigan

Country of Domicile US

Licensed as business type:
Life Accident and Health [] Property/Casualty [] Hospital, Medical and Dental Service or Indemnity []
Dental Service Corporation [] Vision Service Corporation [] Other []
Health Maintenance Organization [X] Is HMO Federally Qualified? Yes () No (X)

Incorporated/Organized April 17, 1996 Commenced Business May 1, 2000

Statutory Home Office One Jackson Square, Jackson, Michigan 49201 (Street and Number, City or Town, State and Zip Code)

Main Administrative Office One Jackson Square, Jackson, Michigan 49201 800-428-7163 (Street and Number, City or Town, State and Zip Code) (Area Code) (Telephone Number)

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Primary Location of Books and Records One Jackson Square, Jackson, Michigan 49201 (Street and Number, City or Town, State and Zip Code)
800-428-7163 (Area Code) (Telephone Number)

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Statutory Statement Contact Frank Reilly 800-428-7163 (Name) (Area Code) (Telephone Number) (Extension)
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OFFICERS
Wynn Hazen (Interim President)
Jeanne Wickens (Secretary/Treasurer)
Wynn Hazen (Interim CFO)
OTHER OFFICERS

DIRECTORS OR TRUSTEES
Brian Adamczyk, MD
Jan Blair
Georgia Fojtasek
K V Rao, MD
Beth Smith
Richard Warren
Jeanne Wickens
Phil Miller
Michael Shore
Ed Woods

State of Michigan }
County of Jackson } SS

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively.

Wynn Hazen Interim President Jeanne Wickens Secretary/Treasurer Wynn Hazen Interim CFO

Subscribed and sworn to before me this day of
a. Is this an original filing? Yes (X) No ()
b. If no: 1. State the amendment number
2. Date filed
3. Number of pages attached

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Column 1 minus Column 2)	4 Net Admitted Assets
1. Bonds (Schedule D)	4,854,175		4,854,175	6,542,135
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks				
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ encumbrances)				
4.2 Properties held for the production of income (less \$ encumbrances)				
4.3 Properties held for sale (less \$ encumbrances)				
5. Cash (\$ (263,094), Schedule E - Part 1), cash equivalents (\$ 1,319,331, Schedule E - Part 2) and short-term investments (\$ 11,948,794, Schedule DA)	13,005,031		13,005,031	19,254,556
6. Contract loans (including \$ premium notes)				
7. Other invested assets (Schedule BA)	1,249,317	465,719	783,598	497,911
8. Receivables for securities				
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Line 1 through Line 9)	19,108,523	465,719	18,642,804	26,294,602
11. Title plants less \$ charged off (for Title insurers only)				
12. Investment income due and accrued				116,256
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	315,170	45,563	269,607	281,443
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premiums)				
13.3 Accrued retrospective premiums	(65,000)		(65,000)	
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	483,164		483,164	37,860
14.2 Funds held by or deposited with reinsured companies				
14.3 Other amounts receivable under reinsurance contracts				225,466
15. Amounts receivable relating to uninsured plans				
16.1 Current federal and foreign income tax recoverable and interest thereon				
16.2 Net deferred tax asset				
17. Guaranty funds receivable or on deposit				
18. Electronic data processing equipment and software	5,056,029	5,056,029		
19. Furniture and equipment, including health care delivery assets (\$)	65,581	65,581		
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates	1,200,000		1,200,000	14,422
22. Health care (\$ 1,043,108) and other amounts receivable	2,067,329	15,786	2,051,543	1,033,459
23. Aggregate write-ins for other than invested assets	(6,319,947)	(6,319,947)		
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Line 10 to Line 23)	21,910,849	(671,269)	22,582,118	28,003,508
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. TOTALS (Line 24 and Line 25)	21,910,849	(671,269)	22,582,118	28,003,508
DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page				
0999. Totals (Line 0901 through Line 0903 plus Line 0998) (Line 9 above)				
2301. Prepaid expenses	80,053	80,053		
2302. Allowance for impairment of assets	(6,400,000)	(6,400,000)		
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. Totals (Line 2301 through Line 2303 plus Line 2398) (Line 23 above)	(6,319,947)	(6,319,947)		

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ reinsurance ceded)	7,693,385		7,693,385	8,681,874
2. Accrued medical incentive pool and bonus amounts	1,783,774		1,783,774	2,555,528
3. Unpaid claims adjustment expenses	142,879		142,879	357,058
4. Aggregate health policy reserves				
5. Aggregate life policy reserves				
6. Property/casualty unearned premium reserve				
7. Aggregate health claim reserves				
8. Premiums received in advance	63,319		63,319	3,407
9. General expenses due or accrued	645,280		645,280	858,251
10.1 Current federal and foreign income tax payable and interest thereon (including \$ on realized capital gains (losses))				
10.2 Net deferred tax liability				
11. Ceded reinsurance premiums payable				
12. Amounts withheld or retained for the account of others	836		836	31,403
13. Remittances and items not allocated				
14. Borrowed money (including \$ current) and interest thereon \$ (including \$ current)				
15. Amounts due to parent, subsidiaries and affiliates	813,367		813,367	1,334,411
16. Payable for securities				
17. Funds held under reinsurance treaties with (\$ authorized reinsurers and \$ unauthorized reinsurers)				
18. Reinsurance in unauthorized companies				
19. Net adjustments in assets and liabilities due to foreign exchange rates				
20. Liability for amounts held under uninsured plans				
21. Aggregate write-ins for other liabilities (including \$ current)				
22. Total liabilities (Line 1 to Line 21)	11,142,840		11,142,840	13,821,932
23. Aggregate write-ins for special surplus funds	X X X	X X X		
24. Common capital stock	X X X	X X X		
25. Preferred capital stock	X X X	X X X		
26. Gross paid in and contributed surplus	X X X	X X X	10,888,193	10,888,193
27. Surplus notes	X X X	X X X		
28. Aggregate write-ins for other than special surplus funds	X X X	X X X		
29. Unassigned funds (surplus)	X X X	X X X	551,085	3,293,383
30. Less treasury stock, at cost:				
30.1 shares common (value included in Line 24 \$)	X X X	X X X		
30.2 shares preferred (value included in Line 25 \$)	X X X	X X X		
31. Total capital and surplus (Line 23 to Line 29 minus Line 30)	X X X	X X X	11,439,278	14,181,576
32. Total liabilities, capital and surplus (Line 22 and Line 31)	X X X	X X X	22,582,118	28,003,508
DETAILS OF WRITE-INS				
2101.				
2102.				
2103.				
2198. Summary of remaining write-ins for Line 21 from overflow page				
2199. Totals (Line 2101 through Line 2103 plus Line 2198) (Line 21 above)				
2301.	X X X	X X X		
2302.	X X X	X X X		
2303.	X X X	X X X		
2398. Summary of remaining write-ins for Line 23 from overflow page	X X X	X X X		
2399. Totals (Line 2301 through Line 2303 plus Line 2398) (Line 23 above)	X X X	X X X		
2801.	X X X	X X X		
2802.	X X X	X X X		
2803.	X X X	X X X		
2898. Summary of remaining write-ins for Line 28 from overflow page	X X X	X X X		
2899. Totals (Line 2801 through Line 2803 plus Line 2898) (Line 28 above)	X X X	X X X		

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months	X X X	207,567	281,883
2. Net premium income (including \$ non-health premium income)	X X X	62,591,337	80,387,080
3. Change in unearned premium reserves and reserve for rate credits	X X X		
4. Fee-for-service (net of \$ medical expenses)	X X X	1,012,095	
5. Risk revenue	X X X		
6. Aggregate write-ins for other health care related revenues	X X X	(149,029)	
7. Aggregate write-ins for other non-health revenues	X X X		
8. Total revenues (Line 2 to Line 7)	X X X	63,454,403	80,387,080
Hospital and Medical:			
9. Hospital/medical benefits		42,742,731	47,848,053
10. Other professional services		2,894,766	6,732,526
11. Outside referrals			
12. Emergency room and out-of-area		4,317,522	3,650,973
13. Prescription drugs		8,274,256	10,430,139
14. Aggregate write-ins for other hospital and medical		(694,197)	(162,554)
15. Incentive pool, withhold adjustments, and bonus amounts			2,070,307
16. Subtotal (Line 9 to Line 15)		57,535,078	70,569,444
Less:			
17. Net reinsurance recoveries		445,150	228,140
18. Total hospital and medical (Line 16 minus Line 17)		57,089,928	70,341,304
19. Non-health claims (net)			
20. Claims adjustment expenses, including \$ 655,511 cost containment expenses		2,516,314	2,938,803
21. General administrative expenses		8,528,891	7,065,346
22. Increase in reserves for life and accident and health contracts (including \$ increase in reserves for life only)			
23. Total underwriting deductions (Line 18 through Line 22)		68,135,133	80,345,453
24. Net underwriting gain or (loss) (Line 8 minus Line 23)	X X X	(4,680,730)	41,627
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)		1,291,325	1,192,636
26. Net realized capital gains (losses) less capital gains tax of \$		25,893	46,741
27. Net investment gains (losses) (Line 25 plus Line 26)		1,317,218	1,239,377
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$) (amount charged off \$)]			
29. Aggregate write-ins for other income or expenses			
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Line 24 plus Line 27 plus Line 28 plus Line 29)	X X X	(3,363,512)	1,281,004
31. Federal and foreign income taxes incurred	X X X		
32. Net income (loss) (Line 30 minus Line 31)	X X X	(3,363,512)	1,281,004
DETAILS OF WRITE-INS			
0601. bad debt expense	X X X	(149,029)	
0602.	X X X		
0603.	X X X		
0698. Summary of remaining write-ins for Line 6 from overflow page	X X X		
0699. Totals (Line 0601 through Line 0603 plus Line 0698) (Line 6 above)	X X X	(149,029)	
0701.	X X X		
0702.	X X X		
0703.	X X X		
0798. Summary of remaining write-ins for Line 7 from overflow page	X X X		
0799. Totals (Line 0701 through Line 0703 plus Line 0798) (Line 7 above)	X X X		
1401. Other Medical costs		545,443	(162,554)
1402. COB savings		(1,239,640)	
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page			
1499. Totals (Line 1401 through Line 1403 plus Line 1498) (Line 14 above)		(694,197)	(162,554)
2901.			
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page			
2999. Totals (Line 2901 through Line 2903 plus Line 2998) (Line 29 above)			

STATEMENT OF REVENUE AND EXPENSES (continued)

CAPITAL AND SURPLUS ACCOUNT	1	2
	Current Year	Prior Year
33. Capital and surplus prior reporting year	14,181,576	17,967,323
34. Net income or (loss) from Line 32	(3,363,512)	1,281,004
35. Change in valuation basis of aggregate policy and claims reserves		
36. Change in net unrealized capital gains (losses) less capital gains tax of \$	(103,415)	18,057
37. Change in net unrealized foreign exchange capital gain or (loss)		
38. Change in net deferred income tax		
39. Change in nonadmitted assets	724,629	(5,084,808)
40. Change in unauthorized reinsurance		
41. Change in treasury stock		
42. Change in surplus notes		
43. Cumulative effect of changes in accounting principles		
44. Capital Changes:		
44.1 Paid in		
44.2 Transferred from surplus (Stock Dividend)		
44.3 Transferred to surplus		
45. Surplus adjustments:		
45.1 Paid in		
45.2 Transferred to capital (Stock Dividend)		
45.3 Tranferred from capital		
46. Dividends to stockholders		
47. Aggregate write-ins for gains or (losses) in surplus		
48. Net change in capital and surplus (Line 34 to Line 47)	(2,742,298)	(3,785,747)
49. Capital and surplus end of reporting year (Line 33 plus Line 48)	11,439,278	14,181,576
DETAILS OF WRITE-INS		
4701.		
4702.		
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page		
4799. Totals (Line 4701 through Line 4703 plus Line 4798) (Line 47 above)		

CASH FLOW

	1	2
	Current Year	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	62,401,079	80,118,728
2. Net investment income	1,291,325	1,297,114
3. Miscellaneous income	863,066	85,788
4. Total (Line 1 through Line 3)	64,555,470	81,501,630
5. Benefit and loss related payments	59,333,335	76,650,382
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	11,045,205	8,244,443
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses)		
10. Total (Line 5 through Line 9)	70,378,540	84,894,825
11. Net cash from operations (Line 4 minus Line 10)	(5,823,070)	(3,393,195)
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds		2,842,996
12.2 Stocks		
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		1,877,846
12.6 Net gains or (losses) on cash and short-term investments		
12.7 Miscellaneous proceeds		
12.8 Total investment proceeds (Line 12.1 through Line 12.7)		4,720,842
13. Cost of investments acquired (long-term only):		
13.1 Bonds		1,272,581
13.2 Stocks		
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		650,000
13.6 Miscellaneous applications	28,437	(413,529)
13.7 Total investments acquired (Line 13.1 through Line 13.6)	28,437	1,509,052
14. Net increase (decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	(28,437)	3,211,790
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	(398,018)	(4,407,732)
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	(398,018)	(4,407,732)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17)	(6,249,525)	(4,589,137)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	19,254,556	23,843,693
19.2 End of year (Line 18 plus Line 19.1)	13,005,031	19,254,556
Note: Supplemental disclosures of cash flow information for non-cash transactions:		
20.0001		
20.0002		
20.0003		
20.0004		
20.0005		
20.0006		
20.0007		
20.0008		
20.0009		
20.0010		

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Net premium income	62,591,337	62,591,337								
2. Change in unearned premium reserves and reserve for rate credit										
3. Fee-for-service (net of \$ medical expenses)	1,012,095	1,012,095								XXX
4. Risk revenue										XXX
5. Aggregate write-ins for other health care related revenues	(149,029)	(149,029)								XXX
6. Aggregate write-ins for other non-health care related revenues		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
7. Total revenues (Line 1 through Line 6)	63,454,403	63,454,403								
8. Hospital/ medical benefits	42,742,731	42,742,731								XXX
9. Other professional services	2,894,766	2,894,766								XXX
10. Outside referrals										XXX
11. Emergency room and out-of-area	4,317,522	4,317,522								XXX
12. Prescription drugs	8,274,256	8,274,256								XXX
13. Aggregate write-ins for other hospital and medical	(694,197)	(694,197)								XXX
14. Incentive pool, withhold adjustments, and bonus amounts										XXX
15. Subtotal (Line 8 through Line 14)	57,535,078	57,535,078								XXX
16. Net reinsurance recoveries	445,150	445,150								XXX
17. Total hospital and medical (Line 15 minus Line 16)	57,089,928	57,089,928								XXX
18. Non-health claims (net)		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
19. Claims adjustment expenses including \$ 655,511 cost containment expenses	2,516,314	2,516,314								
20. General administrative expenses	8,528,891	8,528,891								
21. Increase in reserves for accident and health contracts										XXX
22. Increase in reserves for life contracts		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Line 17 through Line 22)	68,135,133	68,135,133								
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	(4,680,730)	(4,680,730)								
DETAILS OF WRITE-INS										
0501. provision for bad debt	(149,029)	(149,029)								XXX
0502.										XXX
0503.										XXX
0598. Summary of remaining write-ins for Line 5 from overflow page										XXX
0599. Total (Line 0501 through Line 0503 plus Line 0598) (Line 5 above)	(149,029)	(149,029)								XXX
0601.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0699. Total (Line 0601 through Line 0603 plus Line 0698) (Line 6 above)		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
1301. Other medical expenses	545,443	545,443								XXX
1302. Coordination of benefits	(1,239,640)	(1,239,640)								XXX
1303.										XXX
1398. Summary of remaining write-ins for Line 13 from overflow page										XXX
1399. Total (Line 1301 through Line 1303 plus Line 1398) (Line 13 above)	(694,197)	(694,197)								XXX

UNDERWRITING AND INVESTMENT EXHIBIT

Part 1 - Premiums

	1	2	3	4
Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Column 1 plus Column 2 minus Column 3)
1. Comprehensive (hospital and medical)	63,418,471		827,134	62,591,337
2. Medicare Supplement				
3. Dental only				
4. Vision only				
5. Federal Employees Health Benefits Plan				
6. Title XVIII - Medicare				
7. Title XIX - Medicaid				
8. Other health				
9. Health subtotal (Line 1 through Line 8)	63,418,471		827,134	62,591,337
10. Life				
11. Property/casualty				
12. Totals (Line 9 to Line 11)	63,418,471		827,134	62,591,337

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2 - Claims Incurred During the Year

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Payments during the year:										
1.1 Direct	59,133,747	59,133,747								
1.2 Reinsurance assumed										
1.3 Reinsurance ceded										
1.4 Net	59,133,747	59,133,747								
2. Paid medical incentive pools and bonuses	2,376,609	2,376,609								
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	7,693,385	7,693,385								
3.2 Reinsurance assumed										
3.3 Reinsurance ceded										
3.4 Net	7,693,385	7,693,385								
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct										
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net										
5. Accrued medical incentive pools and bonuses, current year	1,783,774	1,783,774								
6. Net healthcare receivables (a)	253,122	253,122								
7. Amounts recoverable from reinsurers December 31, current year	483,164	483,164								
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	9,038,932	9,038,932								
8.2 Reinsurance assumed										
8.3 Reinsurance ceded										
8.4 Net	9,038,932	9,038,932								
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct										
9.2 Reinsurance assumed										
9.3 Reinsurance ceded										
9.4 Net										
10. Accrued medical incentive pools and bonuses, prior year	2,555,528	2,555,528								
11. Amounts recoverable from reinsurers December 31, prior year	263,326	263,326								
12. Incurred benefits:										
12.1 Direct	57,535,078	57,535,078								
12.2 Reinsurance assumed										
12.3 Reinsurance ceded	219,838	219,838								
12.4 Net	57,315,240	57,315,240								
13. Incurred medical incentive pools and bonuses	1,604,855	1,604,855								

(a) Excludes \$ 1,989,986 loans or advances to providers not yet expensed

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - Claims Liability End of Current Year

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in Process of Adjustment:										
1.1 Direct										
1.2 Reinsurance assumed										
1.3 Reinsurance ceded										
1.4 Net										
2. Incurred but Unreported:										
2.1 Direct	7,693,385	7,693,385								
2.2 Reinsurance assumed										
2.3 Reinsurance ceded										
2.4 Net	7,693,385	7,693,385								
3. Amounts Withheld from Paid Claims and Capitations:										
3.1 Direct										
3.2 Reinsurance assumed										
3.3 Reinsurance ceded										
3.4 Net										
4. TOTALS:										
4.1 Direct	7,693,385	7,693,385								
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net	7,693,385	7,693,385								

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Column 1 plus Column 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (hospital and medical)	6,976,580	51,089,928		7,693,385	6,976,580	11,237,400
2. Medicare Supplement						
3. Dental Only						
4. Vision Only						
5. Federal Employees Health Benefits Plan						
6. Title XVIII - Medicare						
7. Title XIX - Medicaid						
8. Other health						
9. Health subtotal (Line 1 through Line 8)	6,976,580	51,089,928		7,693,385	6,976,580	11,237,400
10. Healthcare receivables (a)						1,025,937
11. Other non-health						
12. Medical incentive pools and bonus amounts	2,376,609		165,998	1,617,776	2,542,607	2,555,528
13. Totals (Line 9 minus Line 10 plus Line 11 plus Line 12)	9,353,189	51,089,928	165,998	9,311,161	9,519,187	12,766,991

(a) Excludes \$ 1,989,986 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

(000 Omitted)

Section A - Paid Health Claims - Comprehensive (Hospital and Medical)

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior	3,699	(13)			
2. 2003	52,539	8,030	14		
3. 2004	X X X	62,265	6,530		
4. 2005	X X X	X X X	67,631	6,652	
5. 2006	X X X	X X X	X X X	63,868	6,976,580
6. 2007	X X X	X X X	X X X	X X X	43,491,378

Section B - Incurred Health Claims - Comprehensive (Hospital and Medical)

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior	139,871	139,643	139,643	103,945	103,945
2. 2003	61,859	60,747	60,583	60,583	60,583
3. 2004	X X X	71,430	68,980	68,794	68,794
4. 2005	X X X	X X X	76,128	74,469	74,469
5. 2006	X X X	X X X	X X X	72,364	72,364
6. 2007	X X X	X X X	X X X	X X X	48,752

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Comprehensive (Hospital and Medical)

Years in Which Premiums Were Earned and Claims Were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Column 3 divided by Column 2) Percent	5 Claim and Claim Adjustment Expense Payments (Columns 2 + 3)	6 (Column 5 divided by Column 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Columns 5 + 7 + 8)	10 (Column 9 divided by Column 1) Percent
1. 2003	74,498	60,583	3,100	5.117	63,683	85.483			63,683	85.483
2. 2004	83,034	68,794	3,268	4.750	72,062	86.786			72,062	86.786
3. 2005	86,009	74,283	3,117	4.196	77,400	89.991			77,400	89.991
4. 2006	80,387	63,868	3,681	5.763	67,549	84.030			67,549	84.030
5. 2007	63,418	50,752	2,516	4.957	53,268	83.995	9,477	143	62,888	99.164

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

(000 Omitted)

Section A - Paid Health Claims - Grand Total

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior	3,699	(13)			
2. 2003	52,539	8,030	14		
3. 2004	X X X	62,265	6,530		
4. 2005	X X X		67,631	6,652	
5. 2006	X X X	X X X	X X X	63,868	6,976,580
6. 2007	X X X	X X X	X X X	X X X	43,491,378

Section B - Incurred Health Claims - Grand Total

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior	139,871	139,643	139,643	103,945	103,945
2. 2003	61,859	60,747	60,583	60,583	60,583
3. 2004	X X X	71,430	68,980	68,794	68,794
4. 2005	X X X	X X X	76,128	74,469	74,469
5. 2006	X X X	X X X	X X X	72,364	72,364
6. 2007	X X X	X X X	X X X	X X X	48,752

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Grand Total

Years in Which Premiums Were Earned and Claims Were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Column 3 divided by Column 2) Percent	5 Claim and Claim Adjustment Expense Payments (Columns 2 + 3)	6 (Column 5 divided by Column 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Columns 5 + 7 + 8)	10 (Column 9 divided by Column 1) Percent
1. 2003	74,498	60,583	3,100	5.117	63,683	85.483			63,683	85.483
2. 2004	83,034	68,794	3,268	4.750	72,062	86.786			72,062	86.786
3. 2005	86,009	74,283	3,117	4.196	77,400	89.991			77,400	89.991
4. 2006	80,387	63,868	3,681	5.763	67,549	84.030			67,549	84.030
5. 2007	63,418	50,752	2,516	4.957	53,268	83.995	9,477	143	62,888	99.164

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Underwriting and Investment Exhibit , Part 2D

NONE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3	4	5
	1	2			
	Cost Containment Expenses	Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
1. Rent (\$ for occupancy of own building)			155,258		155,258
2. Salaries, wages and other benefits	614,803	417,742	785,760		1,818,305
3. Commissions (less \$ ceded plus \$ assumed)			1,608,110		1,608,110
4. Legal fees and expenses			21,066		21,066
5. Certifications and accreditation fees	23,704				23,704
6. Auditing, actuarial and other consulting services			1,484,096		1,484,096
7. Traveling expenses					
8. Marketing and advertising			135,878		135,878
9. Postage, express, and telephone	807	625	31,588		33,020
10. Printing and office supplies	1,448	520	158,487		160,455
11. Occupancy, depreciation and amortization			17,305		17,305
12. Equipment			4,926		4,926
13. Cost or depreciation of EDP equipment and software			399,736		399,736
14. Outsourced services including EDP, claims, and other services	4,169	1,201,878	3,404,795		4,610,842
15. Boards, bureaus and association fees	3,030		24,440		27,470
16. Insurance, except on real estate			28,660		28,660
17. Collection and bank service charges			49,876		49,876
18. Group service and administration fees					
19. Reimbursements by uninsured accident and health plans					
20. Reimbursements from fiscal intermediaries					
21. Real estate expenses					
22. Real estate taxes					
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes					
23.2 State premium taxes			136,219		136,219
23.3 Regulator authority licenses and fees					
23.4 Payroll taxes					
23.5 Other (excluding federal income and real estate taxes)					
24. Investment expenses not included elsewhere					
25. Aggregate write-ins for expenses	7,550	240,038	82,691		330,279
26. Total expenses incurred (Line 1 to Line 25)	655,511	1,860,803	8,528,891		(a) 11,045,205
27. Less expenses unpaid December 31, current year		142,879	645,280		788,159
28. Add expenses unpaid December 31, prior year					
29. Amounts receivable relating to uninsured accident and health plans, prior year					
30. Amounts receivable relating to uninsured accident and health plans, current year					
31. Total expenses paid (Line 26 minus Line 27 plus Line 28 minus Line 29 plus Line 30)	655,511	1,717,924	7,883,611		10,257,046
DETAILS OF WRITE-INS					
2501. Misc	7,550	3,096	82,691		93,337
2502. Interest		236,942			236,942
2503.					
2598. Summary of remaining write-ins for Line 25 from overflow page					
2599. Totals (Line 2501 through Line 2503 plus Line 2598) (Line 25 above)	7,550	240,038	82,691		330,279

(a) Includes management fees of \$ to affiliates and \$ 1,799,185 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1	2
	Collected During Year	Earned During Year
1. U. S. Government bonds	(a) 162,142	146,695
1.1 Bonds exempt from U. S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a) 73,836	66,182
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 1,078,448	1,078,448
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income		
10. Total gross investment income	1,314,426	1,291,325
11. Investment expenses		(g)
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		
16. Totals deductions (Line 11 through Line 15)		
17. Net investment income (Line 10 minus Line 16)		1,291,325
DETAILS OF WRITE-INS		
0901.		
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page		
0999. Totals (Line 0901 through Line 0903 plus Line 0998) (Line 9 above)		
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		
1599. Totals (Line 1501 through Line 1503 plus Line 1598) (Line 15 above)		
(a) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.	(f) Includes \$ accrual of discount less \$ amortization of premium.	
(b) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued dividends on purchases.	(g) Includes \$ investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.	
(c) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.	(h) Includes \$ interest on surplus notes and \$ interest on capital notes.	
(d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.	(i) Includes \$ depreciation on real estate and \$ depreciation on other invested assets.	
(e) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.		

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1	2	3	4	5
	Realized Gain (Loss) on Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Cols. 1 + 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U. S. Government bonds	25,893		25,893		
1.1 Bonds exempt from U. S. tax					
1.2 Other bonds (unaffiliated)				(103,415)	
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)					
2.21 Common stocks of affiliates					
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments					
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	25,893		25,893	(103,415)	
DETAILS OF WRITE-INS					
0901.					
0902.					
0903.					
0998. Summary of remaining write-ins for Line 9 from overflow page					
0999. Totals (Line 0901 through Line 0903 plus Line 0998) (Line 9 above)					

EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E-Part 1) , cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			
6. Contract loans			
7. Other invested assets (Schedule BA)	465,719	692,567	226,848
8. Receivable for securities			
9. Aggregate write-ins for invested assets			
10. Subtotals, cash and invested assets (Line 1 to Line 9)	465,719	692,567	226,848
11. Title plants (for Title insurers only)			
12. Investment income due and accrued			
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	45,563	163,604	118,041
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			
13.3 Accrued retrospective premiums			
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers			
14.2 Funds held by or deposited with reinsured companies			
14.3 Other amounts receivable under reinsurance contracts			
15. Amounts receivable relating to uninsured plans			
16.1 Current federal and foreign income tax recoverable and interest thereon			
16.2 Net deferred tax asset			
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software	5,056,029	5,451,740	395,711
19. Furniture and equipment , including health care delivery assets	65,581	80,604	15,023
20. Net adjustment in assets and liabilities due to foreign exchange rates			
21. Receivable from parent , subsidiaries and affiliates			
22. Health care and other amounts receivable	15,786	33,635	17,849
23. Aggregate write-ins for other than invested assets	(6,319,947)	(6,368,790)	(48,843)
24. Total assets excluding Separate Accounts , Segregated Accounts and Protected Cell Accounts (Line 10 to Line 23)	(671,269)	53,360	724,629
25. From Separate Accounts , Segregated Accounts and Protected Cell Accounts			
26. Total (Line 24 and Line 25)	(671,269)	53,360	724,629
DETAILS OF WRITE-INS			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 9 from overflow page			
0999. Totals (Line 0901 through Line 0903 plus Line 0998) (Line 9 above)			
2301. Prepaid Insurance	80,053	31,210	(48,843)
2302. Allowance for impairment of assets	(6,400,000)	(6,400,000)	
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Line 2301 through Line 2303 plus Line 2398) (Line 23 above)	(6,319,947)	(6,368,790)	(48,843)

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations	21,857	18,739	18,144	17,582	11,086	207,567
2. Provider Service Organizations						
3. Preferred Provider Organizations						
4. Point of Service						
5. Indemnity Only						
6. Aggregate write-ins for other lines of business						
7. Total	21,857	18,739	18,144	17,582	11,086	207,567
DETAILS OF WRITE-INS						
0601						
0602						
0603						
0698. Summary of remaining write-ins for Line 6 from overflow page						
0699. Totals (Line 0601 through Line 0603 plus Line 0698) (Line 6 above)						

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with accounting practices prescribed or permitted by the Michigan Office of Financial and Insurance Services (OFIS) and the National Association of Insurance Commissioners (the NAIC). These practices differ in some respects from generally accepted accounting principles (GAAP). Certain assets are considered non-admitted for statutory purposes and are excluded from the balance sheet. These non-admitted assets have been allocated to retained earnings (deficit) in the financial statements.

Cash and Cash Equivalents – Cash and cash equivalents include operating cash and short-term investments with original maturities of one year or less at the time of purchase. These amounts are reported at cost, which approximates fair value.

Investments – Debt securities consist of bonds that are carried at amortized cost. The cost of bonds is adjusted for amortization of premiums and discounts to maturity using a level-yield method. Realized gains and losses are determined using the specific identification method and are included in operations. The fair value of investments is determined based upon quoted market prices.

Property and Equipment - Property and equipment are carried at cost, less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful life of the assets.

Health Care Costs – Health care costs include claims paid, claims in process and pending and estimated unreported claims and charges by physicians, hospitals and other health care providers for services rendered to members during the year. Adjustments to prior period estimates are reported in the current period, and changes in these estimates may be significant. Given the nature of these expenses, amounts accrued at year-end are paid predominantly in the following year. Claims payable are determined using statistical analyses and represent estimates of the ultimate net cost of all reported and unreported claims that are unpaid at the end of each accounting period. Although it is not possible to measure the degree of variability inherent in such estimates, management believes the liabilities for claims are adequate.

Premiums – Premiums are billed monthly for coverage for the following month and are recognized as revenue in the month for which insurance protection is provided. Premiums collected in advance of services rendered are reflected as unearned premiums.

Use of Estimates – The preparation of financial statements in conformity with accounting practices prescribed and permitted by OFIS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

Note 2 - Accounting Changes and Corrections of Errors

Not Applicable

Note 3 - Business Combinations and Goodwill

Not Applicable

Note 4 - Discontinued Operation

Effective June 30, 2007, PHPSM announced it had entered into a series of agreements that will

NOTES TO FINANCIAL STATEMENTS

transition all of its membership to Priority Health or other health benefit organizations.

PHPSM began transitioning members in September 2007 and will likely service its last active member in summer 2007. PHPSM will then remain in business solely to complete run out activities for prior periods. PHPSM anticipates it will relinquish its HMO license during 2009.

Note 5 - Investments

Not Applicable

Note 6 - Joint Ventures, Partnerships and Limited Liability Companies

Not Applicable

Note 7 – Investment Income

All income due and accrued has been included in the filing.

Note 8 – Derivative Instruments

Not Applicable

Note 9 - Income Taxes

PHPSM is not subject to income taxes.

Note 10 – Information Concerning Parent, Subsidiaries and Affiliates

PHPSM is a wholly owned subsidiary of Foote Health System, which has contributed capital to PHPSM of \$2,303,193 since its inception in 2000.

PHPSM has a provider agreement with W. A. Foote Memorial Hospital (Foote), an affiliated entity. Foote provides inpatient and outpatient hospital services to PHPSM members under the terms of this annually renewable contract. Total payments to Foote for hospital and physician services were \$13,196,408 in 2007.

PHPSM is a member of PHP Shared Services, LLC (Shared Services), which was formed to provide services for the benefit of the member entities under the common trade identification of “Physicians Health Plan”, including statewide marketing, contracting and other services. In addition to the recorded investment in Shared Services, LLC, PHSPM pays Shared Services a monthly fee for licensing and reimbursement of operating expenses.

Note 11 – Debt

Not Applicable

Note 12 – Retirement Plans, Deferred Compensation, Post employment Benefits and

NOTES TO FINANCIAL STATEMENTS

Compensated Absences and Other Postretirement Benefit Plans

Not Applicable

Note 13 – Capital and Surplus, Shareholders’ Dividend Restrictions and Quasi-Reorganizations

Not Applicable

Note 14 – Contingencies

Not Applicable

Note 15 – Leases

PHPSM leases office space and telephone equipment from Foote, with a lease agreement in effect through May 2008. During 2006, the Company made rental payments of \$155,258. Pursuant to the lease agreement, the rent is adjusted annually based upon changes in the Consumer Price Index.

Note 16 – Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk

Not Applicable

Note 17 – Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

Not Applicable

Note 18 – Gain or Loss to the Reporting Entity form Uninsured Plans and the Uninsured Portion of Partially Insured Plans

There are no gains and losses from uninsured accident and health plans or partially insured plans.

Note 19 – Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

Not Applicable

Note 20 – September 11 Events

Not Applicable

Note 21 – Other Items

NOTES TO FINANCIAL STATEMENTS

PHPSM elected to use rounding in reporting amounts in the statement.

Note 22 – Events Subsequent

Not Applicable

Note 23 – Reinsurance

Not Applicable

Note 24 – Retrospectively Rated Contracts & Contracts Subject to Redetermination

Not Applicable

Note 25 – Change in Incurred Losses and Loss Adjustment Expenses

Not Applicable

Note 26 – Intercompany Pooling Arrangements

Not Applicable

Note 27 – Structured Settlements

Not Applicable

Note 28 – Health Care Receivables

There are three types of health care receivables:

1. Rebates from the PBM for prescription drugs - \$185,306
2. Provider advances. In the beginning of the year, there were delays paying claims as the result of the newly implemented computer system. Money was advanced to some providers. The delays have been resolved and providers are repaying the advances. The amount due is \$789,986
3. Claim overpayments. Adjustments to paid claims and refunds from providers have resulted in overpaymnets due of \$67,817. These are being automatically deducted from future claim paymnets whenever possible.

Note 29 - Participating Policies

Not Applicable

Note 30 – Premium Deficiency Reserves

Not Applicable

NOTES TO FINANCIAL STATEMENTS

Note 31 – Anticipated Salvage and Subrogation

Due to the type of business being written with this license, the Company has no salvage. As of December 31, 2007 and 2006, the company had no specific accruals established for outstanding subrogation, as it is considered as a component of the actuarial calculations used to develop the estimates of incurred but not yet reported claims.

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities	4,854,175	25.403	4,854,175	26.038
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies				
1.22 Issued by U.S. government sponsored agencies				
1.3 Foreign government (including Canada, excluding mortgage-backed securities)				
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations				
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations				
1.43 Revenue and assessment obligations				
1.44 Industrial development and similar obligations				
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA				
1.512 Issued or guaranteed by FNMA and FHLMC				
1.513 All other				
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA				
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521				
1.523 All other				
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)				
2.2 Unaffiliated foreign securities				
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds				
3.2 Preferred stocks:				
3.21 Affiliated				
3.22 Unaffiliated				
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated				
3.32 Unaffiliated				
3.4 Other equity securities:				
3.41 Affiliated				
3.42 Unaffiliated				
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated				
3.52 Unaffiliated				
4. Mortgage loans:				
4.1 Construction and land development				
4.2 Agricultural				
4.3 Single family residential properties				
4.4 Multifamily residential properties				
4.5 Commercial loans				
4.6 Mezzanine real estate loans				
5. Real estate investments:				
5.1 Property occupied by company				
5.2 Property held for production of income (including \$ of property acquired in satisfaction of debt)				
5.3 Property held for sale (including \$ property acquired in satisfaction of debt)				
6. Contract loans				
7. Receivables for securities				
8. Cash, cash equivalents and short-term investments	13,005,031	68.059	13,005,031	69.759
9. Other invested assets	1,249,317	6.538	783,598	4.203
10. Total invested assets	19,108,523	100.000	18,642,804	100.000

GENERAL INTERROGATORIES
PART 1 - COMMON INTERROGATORIES
GENERAL

- 1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes (X) No ()
- 1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes (X) No () N/A ()
- 1.3

State Regulating?

Michigan
- 2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes (X) No ()
- 2.2

If yes, date of change:

10/31/2007
- 3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2005
- 3.2

State the as of date of the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2006
- 3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

12/11/2006
- 3.4

By what department or departments?
Michigan Office of Financial & Insurance Services
- 4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11

sales of new business?

Yes () No (X)
- 4.12

renewals?

Yes () No (X)
- 4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21

sales of new business?

Yes () No (X)
- 4.22

renewals?

Yes () No (X)
- 5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes () No (X)
- 5.2

If yes, provide name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile
.....
.....
.....

- 6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes () No (X)
- 6.2

If yes, give full information:

.....
.....
- 7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes () No (X)
- 7.2

If yes,

7.21

State the percentage of foreign control;

7.22

State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g. individual, corporation, government, manager or attorney-in-fact).

..... %

1 Nationality	2 Type of Entity
.....
.....
.....

GENERAL INTERROGATORIES

- 8.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes () No (X)
- 8.2

If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3

Is the company affiliated with one or more banks, thrifts or securities firms?

Yes () No (X)
- 8.4

If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i. e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC

9.

What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

Ernst & Young; 171 Monroe Ave. BW, Suite 100, Grand Rapids, MI 49503
10.

What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?

Tim Rice; Reden & Anders; 12125 Technology Dr.; MN002-0161; Eden Prairie, MN 55344
- 11.1

Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?

Yes () No (X)
- 11.11

Name of real estate holding company
- 11.12

Number of parcels involved
- 11.13

Total book/adjusted carrying value

\$
- 11.2

If yes, provide explanation
12.

FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 12.1

What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 12.2

Does this statement contain all business transacted for the reporting entity through its United States branch on risks wherever located?

Yes () No ()
- 12.3

Have there been any changes made to any of the trust indentures during the year?

Yes () No ()
- 12.4

If answer to (12.3) is yes, has the domiciliary or entry state approved the changes?

Yes () No () N/A (X)
- 13.1

Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?

Yes (X) No ()
- (a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- (b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- (c) Compliance with applicable governmental laws, rules and regulations;
- (d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- (e) Accountability for adherence to the code.
- 13.11

If the response to 13.1 is No, please explain:
- 13.2

Has the code of ethics for senior managers been amended?

Yes () No (X)
- 13.21

If the response to 13.2 is Yes, provide information related to amendment(s).
- 13.3

Have any provisions of the code of ethics been waived for any of the specified officers?

Yes () No (X)
- 13.31

If the response to 13.3 is Yes, provide the nature of any waiver(s).

BOARD OF DIRECTORS

14.

Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof?

Yes () No (X)
15.

Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof?

Yes (X) No ()
16.

Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees, or responsible employees that is in conflict or is likely to conflict with the official duties of such person?

Yes (X) No ()

GENERAL INTERROGATORIES

FINANCIAL

17. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)?

Yes () No (X)

18.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

18.11 To directors or other officers

18.12 To stockholders not officers

18.13 Trustees, supreme or grand (Fraternal only)

\$

\$

\$

18.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):

18.21 To directors or other officers

18.22 To stockholders not officers

18.23 Trustees, supreme or grand (Fraternal only)

\$

\$

\$

19.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?

Yes () No (X)

19.2 If yes, state the amount thereof at December 31 of the current year:

19.21 Rented from others

19.22 Borrowed from others

19.23 Leased from others

19.24 Other

\$

\$

\$

\$

20.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?

Yes () No (X)

20.2 If answer is yes:

20.21 Amount paid as losses or risk adjustment

20.22 Amount paid as expenses

20.23 Other amounts paid

\$

\$

\$

21.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes (X) No ()

21.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:

\$ 1,200,000

INVESTMENT

22.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date?

Yes () No (X)

22.2 If no, give full and complete information relating thereto:
Securities held by investment manager

23.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1)

Yes (X) No ()

23.2 If yes, state the amount thereof at December 31 of the current year:

23.21 Loaned to others

23.22 Subject to repurchase agreements

23.23 Subject to reverse repurchase agreements

23.24 Subject to dollar repurchase agreements

23.25 Subject to reverse dollar repurchase agreements

23.26 Pledged as collateral

23.27 Placed under option agreements

23.28 Letter stock or securities restricted as to sale

23.29 On deposit with state or other regulatory body

23.291 Other

\$

\$

\$

\$

\$

\$

\$

\$

\$

\$

23.3 For category (23.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount

24.1 Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes () No (X)

24.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?
If no, attach a description with this statement.

Yes () No () N/A (X)

25.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?

Yes () No (X)

25.2 If yes, state the amount thereof at December 31 of the current year.

\$

GENERAL INTERROGATORIES

INVESTMENT

26. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, G - Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes (X) No ()

26.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

<div>1</div> <div>Name of Custodian(s)</div>	<div>2</div> <div>Custodian's Address</div>
Comerica.....	Detroit, MI 48275.....
.....
.....

26.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

<div>1</div> <div>Name(s)</div>	<div>2</div> <div>Location(s)</div>	<div>3</div> <div>Complete Explanation(s)</div>
.....
.....
.....

26.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year? Yes () No (X)

26.04 If yes, give full and complete information relating thereto:

<div>1</div> <div>Old Custodian</div>	<div>2</div> <div>New Custodian</div>	<div>3</div> <div>Date of Change</div>	<div>4</div> <div>Reason</div>
.....
.....
.....

26.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

<div>1</div> <div>Central Registration Depository Number(s)</div>	<div>2</div> <div>Name</div>	<div>3</div> <div>Address</div>
Munder Capital.....	Michael Krushena.....	480 Pierce St., Birmingham, AL 48009.....
.....
.....

27.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])? Yes () No (X)

27.2 If yes, complete the following schedule:

<div>1</div> <div>CUSIP#</div>	<div>2</div> <div>Name of Mutual Fund</div>	<div>3</div> <div>Book/Adjusted Carrying Value</div>
.....
.....
.....
Line 27.2998 from Overflow page.....	
Line 27.2999 TOTAL (9999999).....	

27.3 For each mutual fund listed in the table above, complete the following schedule:

<div>1</div> <div>Name of Mutual Fund (from above table)</div>	<div>2</div> <div>Name of Significant Holding of the Mutual Fund</div>	<div>3</div> <div>Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding</div>	<div>4</div> <div>Date of Valuation</div>
.....
.....
.....

GENERAL INTERROGATORIES

28. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value of statement value for fair value.

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-) , or Fair Value over Statement (+)
28.1 Bonds	\$ 16,802,969	\$ 16,821,055	\$ 18,086
28.2 Preferred stocks	\$	\$	\$
28.3 Totals	\$ 16,802,969	\$ 16,821,055	\$ 18,086

28.4 Describe the sources or methods utilized in determining the fair values:
Market prices for fair value is retrieved from a third party vendor named Sungard
.....

29.1 Have all the filing requirements of the Purposes and Procedures manual of the NAIC Securities Valuation Office been followed? Yes (X) No ()

29.2 If no, list exceptions:
.....
.....

OTHER

30.1 Amount of payments to Trade Associations, service organizations and statistical or Rating Bureaus, if any? \$ 27,430

30.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
Michigan Association of Healthplans	\$ 24,202
.....	\$
.....	\$
.....	\$

31.1 Amount of payments for legal expenses, if any? \$ 21,066

31.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Foster, Swift, Collins and Smith	\$ 14,681
PHP of Mid Michigan	\$ 6,285
.....	\$
.....	\$

32.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$

32.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
.....	\$
.....	\$
.....	\$
.....	\$

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

1.1

Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes () No (X)

1.2

If yes, indicate premium earned on U.S. business only.

\$

1.3

What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$

1.31

Reason for excluding:

.....

.....

1.4

Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above

\$

1.5

Indicate total incurred claims on all Medicare Supplement insurance.

\$

1.6

Individual policies:

Most current three years:

1.61

Total premium earned

\$

1.62

Total incurred claims

\$

1.63

Number of covered lives

.....

All years prior to most current three years:

1.64

Total premium earned

\$

1.65

Total incurred claims

\$

1.66

Number of covered lives

.....

1.7

Group policies:

Most current three years:

1.71

Total premium earned

\$

1.72

Total incurred claims

\$

1.73

Number of covered lives

.....

All years prior to most current three years:

1.74

Total premium earned

\$

1.75

Total incurred claims

\$

1.76

Number of covered lives

.....

2.

Health Test:

1

Current Year

2.1

Premium Numerator

\$ 63,418,471

2.2

Premium Denominator

\$ 63,418,471

2.3

Premium Ratio (2.1 / 2.2)

..... 1.000

2.4

Reserve Numerator

\$ 9,477,159

2.5

Reserve Denominator

\$ 9,477,159

2.6

Reserve Ratio (2.4 / 2.5)

..... 1.000

2

Prior Year

..... 80,387,080

..... 80,387,080

..... 1.000

..... 11,237,400

..... 11,237,400

..... 1.000

3.1

Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?

Yes () No (X)

3.2

If yes, give particulars:

.....

.....

4.1

Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency?

Yes (X) No ()

4.2

If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes () No (X)

5.1

Does the reporting entity have stop-loss reinsurance?

Yes (X) No ()

5.2

If no, explain:

.....

.....

5.3

Maximun retained risk (see instructions)

5.31

Comprehensive Medical

\$

5.32

Medical Only

\$ 150,000

5.33

Medicare Supplement

\$

5.34

Dental

\$

5.35

Other Limited Benefit Plan

\$

5.36

Other

\$

6.

Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:

Provider contracts include stndard hold harmless language to protect consumers in the event of insolvency

This protection is a benefit of the reinsurance coverage. PHPSM adheres to the statutory deposit requirement established under insurance code

7.1

Does the reporting entity set up its claim liability for provider services on a service date basis?

Yes (X) No ()

7.2

If no, give details:

.....

.....

8.

Provide the following information regarding participating providers:

8.1

Number of providers at start of reporting year

..... 1,656

8.2

Number of providers at end of reporting year

..... 1,820

9.1

Does the reporting entity have business subject to premium rate guarantees?

Yes () No (X)

9.2

If yes, direct premium earned:

9.21

Business with rate guarantees between 15-36 months

.....

9.22

Business with rate guarantees over 36 months

.....

GENERAL INTERROGATORIES (Continued)

PART 2 - HEALTH INTERROGATORIES

10.1

Does the reporting entity have Incentive Pool, Withhold, or Bonus Arrangements in its provider contracts?

Yes (X) No ()

10.2

If yes:

10.21

Maximum amount payable bonuses

\$

10.22

Amount actually paid for year bonuses

\$

10.23

Maximum amount payable withholds

\$ 1,617,775

10.24

Amount actually paid for year withholds

\$

11.1

Is the reporting entity organized as:

11.12

A Medical Group / Staff Model,

Yes () No (X)

11.13

An Individual Practice Association (IPA), or

Yes (X) No ()

11.14

A Mixed Model (combination of above)?

Yes () No (X)

11.2

Is the reporting entity subject to Minimum Net Worth Requirements?

Yes (X) No ()

11.3

If yes, show the name of the state requiring such net worth.

..... Michigan

11.4

If yes, show the amount required.

\$ 5,529,808

11.5

Is this amount included as part of a contingency reserve in stockholder's equity?

Yes () No (X)

11.6

If the amount is calculated, show the calculation

The amount represents 200% authorized control level from the Risk Based Capital filing

.....

12. List service areas in which reporting entity is licensed to operate:

1
Name of Service Area
Jackson, Hillsdale, Washtenaw, Calhoun, Ingham,
Lenawee, Livingston counties
.....

FIVE - YEAR HISTORICAL DATA

	1	2	3	4	5
	2007	2006	2005	2004	2003
BALANCE SHEET (Page 2 and Page 3)					
1. Total admitted assets (Page 2, Line 26)	22,582,118	28,003,508	36,147,127	33,264,983	31,421,620
2. Total liabilities (Page 3, Line 22)	11,142,840	13,821,932	18,179,804	16,598,236	15,941,316
3. Statutory surplus		6,713,750	7,098,316	6,731,894	5,743,112
4. Total capital and surplus (Page 3, Line 31)	11,439,278	14,181,576	17,967,323	16,666,748	15,480,304
INCOME STATEMENT (Page 4)					
5. Total revenues (Line 8)	63,454,403	80,387,080	86,008,943	82,319,594	73,781,470
6. Total medical and hospital expenses (Line 18)	57,089,928	70,341,305	76,638,631	71,904,467	60,394,847
7. Claims adjustment expenses (Line 20)	2,516,314	2,938,803	3,438,575	3,268,395	3,100,125
8. Total administrative expenses (Line 21)	8,528,891	7,065,346	6,374,846	6,410,286	6,191,541
9. Net underwriting gain (loss) (Line 24)	(4,680,730)	41,626	(443,109)	736,445	4,094,957
10. Net investment gain (loss) (Line 27)	1,317,218	1,239,378	849,026	431,029	369,576
11. Total other income (Line 28 plus Line 29)			2,210,000		
12. Net income or (loss) (Line 32)	(3,363,512)	1,281,004	2,615,917	1,167,474	4,464,533
CASH FLOW (Page 6)					
13. Net cash from operations (Line 11)	(5,823,070)				
RISK-BASED CAPITAL ANALYSIS					
14. Total adjusted capital	11,439,278	13,251,576	17,967,323	16,666,748	15,480,304
15. Authorized control level risk-based capital	2,764,904	3,356,875	3,549,158	3,365,947	2,871,556
ENROLLMENT (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7)	11,086	21,857	28,156	29,310	29,222
17. Total members months (Column 6, Line 7)	207,567	281,883	338,321	351,386	344,559
OPERATING PERCENTAGE (Page 4) (Item divided by Page 4, sum of Line 2, Line 3, and Line 5) X 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Line 3 plus Line 5)	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Line 18 plus Line 19)	91.2	87.5	89.1	87.3	81.9
20. Cost containment expenses	1.0	0.1	0.1	0.1	X X X
21. Other claims adjustment expenses	3.0	3.6	3.9	4.0	4.2
22. Total underwriting deductions (Line 23)	108.9	99.9	100.5	99.1	94.5
23. Total underwriting gain (loss) (Line 24)	(7.5)	0.1	(0.5)	0.9	5.6
UNPAID CLAIMS ANALYSIS (U and I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Column 5)	9,519,187	9,691,349	9,457,944	10,405,266	6,766,634
25. Estimated liability of unpaid claims of prior year (Line 13, Column 6)	12,766,991	12,516,948	12,108,467	11,716,533	10,254,841
INVESTMENTS IN PARENT, SUBSIDIARIES, AND AFFILIATES					
26. Affiliated bonds (Schedule D Summary, Line 25, Column 1)					
27. Affiliated preferred stocks (Schedule D Summary, Line 39, Column 1)					
28. Affiliated common stocks (Schedule D Summary, Line 53, Column 2)					
29. Affiliated short-term investments (subtotal included in Schedule DA, Part 2, Column 5, Line 11)					
30. Affiliated mortgage loans on real estate					
31. All other affiliated	783,598	497,911	2,108,181	2,153,244	315,759
32. Total of above Line 26 to Line 31	783,598	497,911	2,108,181	2,153,244	315,759

SCHEDULE D - SUMMARY BY COUNTRY

Long-Term Bonds and Stocks OWNED December 31 of Current Year

Description		1 Book/Adjusted Carrying Value	2 Fair Value	3 Actual Cost	4 Par Value of Bonds
BONDS Governments (Including all obligations guaranteed by governments)	1. United States	3,508,507	3,530,030	3,551,029	3,495,000
	2. Canada				
	3. Other Countries				
	4. Totals	3,508,507	3,530,030	3,551,029	3,495,000
States, Territories and Possessions (Direct and guaranteed)	5. United States				
	6. Canada				
	7. Other Countries				
	8. Totals				
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States				
	10. Canada				
	11. Other Countries				
	12. Totals				
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States				
	14. Canada				
	15. Other Countries				
	16. Totals				
Public Utilities (unaffiliated)	17. United States				
	18. Canada				
	19. Other Countries				
	20. Totals				
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States	1,345,667	1,340,601	1,375,944	1,327,619
	22. Canada				
	23. Other Countries				
	24. Totals	1,345,667	1,340,601	1,375,944	1,327,619
Parent, Subsidiaries and Affiliates	25. Totals				
	26. Total Bonds	4,854,174	4,870,631	4,926,973	4,822,619
PREFERRED STOCKS					
Public Utilities (unaffiliated)	27. United States				
	28. Canada				
	29. Other Countries				
	30. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	31. United States				
	32. Canada				
	33. Other Countries				
	34. Totals				
Industrial and Miscellaneous (unaffiliated)	35. United States				
	36. Canada				
	37. Other Countries				
	38. Totals				
Parent, Subsidiaries and Affiliates	39. Totals				
	40. Total Preferred Stocks				
COMMON STOCKS					
Public Utilities (unaffiliated)	41. United States				
	42. Canada				
	43. Other Countries				
	44. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	45. United States				
	46. Canada				
	47. Other Countries				
	48. Totals				
Industrial and Miscellaneous (unaffiliated)	49. United States				
	50. Canada				
	51. Other Countries				
	52. Totals				
Parent, Subsidiaries and Affiliates	53. Totals				
	54. Total Common Stocks				
	55. Total Stocks				
	56. Total Bonds and Stocks	4,854,174	4,870,631	4,926,973	

SCHEDULE D - VERIFICATION BETWEEN YEARS

Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks , prior year	6,542,135	7. Amortization of premium	32,248
2. Cost of bonds and stocks acquired, Column 7, Part 3	399,840	8. Foreign Exchange Adjustment:	
3. Accrual of discount	8,709	8.1 Column 15, Part 1	
4. Increase (decreased) by adjustment:		8.2 Column 19, Part 2, Section 1	
4.1 Column 12 minus Column 14, Part 1		8.3 Column 16, Part 2, Section 2	
4.2 Column 15 minus Column 17, Part 2, Section 1		8.4 Column 15, Part 4	
4.3 Column 15, Part 2, Section 2		9. Book/adjusted carrying value at end of current period	4,854,174
4.4 Column 11 minus Column 13, Part 4		10. Total valuation allowance	
5. Total gain (loss) , Column 19, Part 4	9,336	11. Subtotal (Line 9 plus Line 10)	4,854,174
6. Deduct consideration for bonds and stocks disposed of Column 7, Part 4	2,073,598	12. Total nonadmitted amounts	
		13. Statement value of bonds and stocks, current period	4,854,174

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

States, Etc.	1	Direct Business Only Year to Date							
		2	3	4	5	6	7	8	9
	Is Insurer Licensed ? (Yes or No)	Accident and Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums	Life and Annuity Premiums and Other Considerations	Property/ Casualty Premiums	Total Column 2 Through Column 7	Deposit-Type Contracts
1. Alabama	AL No								
2. Alaska	AK No								
3. Arizona	AZ No								
4. Arkansas	AR No								
5. California	CA No								
6. Colorado	CO No								
7. Connecticut	CT No								
8. Delaware	DE No								
9. District of Columbia	DC No								
10. Florida	FL No								
11. Georgia	GA No								
12. Hawaii	HI No								
13. Idaho	ID No								
14. Illinois	IL No								
15. Indiana	IN No								
16. Iowa	IA No								
17. Kansas	KS No								
18. Kentucky	KY No								
19. Louisiana	LA No								
20. Maine	ME No								
21. Maryland	MD No								
22. Massachusetts	MA No								
23. Michigan	MI Yes	63,418,471						63,418,471	
24. Minnesota	MN No								
25. Mississippi	MS No								
26. Missouri	MO No								
27. Montana	MT No								
28. Nebraska	NE No								
29. Nevada	NV No								
30. New Hampshire	NH No								
31. New Jersey	NJ No								
32. New Mexico	NM No								
33. New York	NY No								
34. North Carolina	NC No								
35. North Dakota	ND No								
36. Ohio	OH No								
37. Oklahoma	OK No								
38. Oregon	OR No								
39. Pennsylvania	PA No								
40. Rhode Island	RI No								
41. South Carolina	SC No								
42. South Dakota	SD No								
43. Tennessee	TN No								
44. Texas	TX No								
45. Utah	UT No								
46. Vermont	VT No								
47. Virginia	VA No								
48. Washington	WA No								
49. West Virginia	WV No								
50. Wisconsin	WI No								
51. Wyoming	WY No								
52. American Samoa	AS No								
53. Guam	GU No								
54. Puerto Rico	PR No								
55. U.S. Virgin Islands	VI No								
56. Northern Mariana Islands	MP No								
57. Canada	CN No								
58. Aggregate Other Alien	OT X X X								
59. Subtotal	X X X	63,418,471						63,418,471	
60. Reporting entity contributions for Employee Benefit Plans	X X X								
61. Total (Direct Business)	(a) 1	63,418,471						63,418,471	
DETAILS OF WRITE-INS									
5801.									
5802.									
5803.									
5898. Summary of remaining write-ins for Line 58 from overflow page									
5899. Total (Line 5801 through Line 5803 plus Line 5898) (Line 58 above)									
Explanation of basis of allocation by states, premiums by state, etc.									

(a) Insert the number of yes responses except for Canada and Other Alien.

PHPSM is phasing out of business. The organization is staffed by a combination of a small number of employees, temps and consultants. The Table of Organization changes as the staffing levels are reduced over time and job responsibilities are consolidated.

Health

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